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SUBJECT: LATVIA TO CONTINUE WITH MINORITY GOVERNMENT AS  
LARGEST COALITION PARTY WALKS OUT

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SUMMARY  
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¶1. (SBU) Prime Minister Aigars Kalvitis now leads a minority government. The New Era party, the governing coalition's largest, left the government April 7 in the culmination of a three-week government crisis characterized by competing claims of corruption and government malfeasance. New Era left the coalition after issuing an ultimatum to PM Kalvitis demanding the ouster of the First Party, whose leader was fired as Transport Minister in the wake of a recent vote-buying scandal. The First Party, New Era claimed, used its control of Latvia's Interior Ministry to open a retaliatory criminal investigation against New Era's Economics Minister. New Era gave up six ministries when it left the coalition, including the influential Defense, Economics, and Justice portfolios. The GOL's truncated three-party coalition commands just 45 seats in the 100-seat Saeima (parliament). The focus now turns to whether PM Kalvitis can convince another party to join his government and whether he can rely on opposition support to confirm nominees to vacated ministerial posts. End Summary.

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QUESTIONABLE PROBE PROMPTS JL TO LEAVE GOVERNMENT  
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¶2. (U) Prime Minister Kalvitis' (the People's Party) and President Vike-Freiberga's last-ditch efforts on April 6 to persuade the New Era party to stay in the coalition failed April 6, when six New Era ministers quit the government, leaving in place a three-party minority government (consisting of the People's Party, the First Party and the Greens' and Farmers' Union). New Era was angered that a criminal probe had been launched earlier this week against its Economics Minister, Krisjanis Karins, over alleged irregularities in awarding EU structural funds to a company that had donated money to New Era. New Era claimed the criminal investigation was political payback on the part of the First Party for the recent dismissal of Transport Minister Ainars Slesers, who was implicated in a vote-buying scandal in the city of Jurmala (a Riga suburb). The Prime Minister had fired Slesers at the insistence of New Era.

¶3. (U) New Era April 2 gave the Prime Minister an ultimatum: either boot the First Party out of the coalition or face New Era's departure. PM Kalvitis rejected New Era's demand, urging all factions to continue working in the government. New Era leader Einars Repse, however, called the criminal probe an abuse of power by the First Party "for which the

First Party should bear responsibility." In the end, the sides could not be reconciled, and Repse announced the evening of April 6 that it was quitting the government.

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GOVERNMENT LIMPS ON, PM LOOKS TO BRING IN RIGHT-WING PARTY  
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14. (SBU) Even though New Era's departure is a serious blow to the government's stability, most political pundits believe that Prime Minister Kalvitis can manage to muster the necessary opposition support to carry on with a minority government, as well as confirm rather quickly what are now seven vacant ministerial jobs (the Transport Minister's post, which was left empty by Slesers' ouster, and the six New Era portfolios vacated yesterday). The nationalist opposition party Fatherland and Freedom/LNNK (7 seats in the Saeima) and two out of three independents could provide Kalvitis with the support to limp on. In an April 5 meeting with Ambassador Bailey, Kalvitis suggested that he already had agreement from Fatherland and Freedom to join his government if New Era left, but there have been no official announcement of this yet.

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COALITION DIVYING UP MINISTRY POSITIONS  
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15. (SBU) The three coalition parties have already begun consultations on how to divide the cabinet portfolios. Left vacant by New Era's departure are the Defense, Economics, Justice, Education, Social Integration and e-Government Ministries. No successors to these have officially been put forward yet yet, though Kalvitis suggested to Ambassador Bailey April 5 that Karins' successor in the Economics

Ministry could be current PM economic advisor Aigars Stockenbergs, and Embassy contacts in the Saeima are pointing to People's Party Chairman Atis Slakteris as the most likely candidate to become the next Defense Minister. [NOTE: Slakteris was Defense Minister in the government of Indulis Emsis in 2004. End Note.] According to several parliamentary sources, a special session of parliament might be called as early as this weekend to hold a confirmation vote for new ministers.

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COMMENT  
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6 (SBU). There is also much speculation as to what really prompted New Era to leave the government. Some analysts suggest that New Era, the most popular party in the latest opinion polls, hoped to gain itself maximum room for maneuver in reading for the October 2006 Saeima (parliamentary) elections. Now outside the government, New Era can criticize "corrupt" political opponents freely. Regardless of motives and timing, Ambassador Bailey this week pointed out to both PM Kalvitis and Repse that they need to remember that they are playing to more than a domestic audience. Latvia's leaders, cautioned Ambassador Bailey, need to remember that their actions are being scrutinized by many outside Latvia, including Allies and business partners, and that these groups are looking for leadership, accountability, and the ability to govern as Latvia takes on high profile events this year like an approaching trade and investment conference targeted at U.S. companies, not to mention the NATO Summit. End Comment.  
BAILEY